

Advantages and Disadvantages of Self Employment

Grade Level	Twelfth
Minimum Time Required	45 Minutes
Materials/Resources	Entrepreneurship Transparencies Calculator-Tax Table
Subject Area(s)	Business – Guidance - Math

Project Description:

1. Review with students the advantages and disadvantages of entrepreneurship. Ask students to contribute their ideas. Display the “Costs of Being an Employer” transparency.
2. Work through the social security cost together as a class.
3. Review with the students the current Federal Withholding Tax Table and determine the Federal withholdings for each employee.
4. Optional activity: Invite a local accountant in to discuss how self-employed people compute estimated quarterly taxes.

Career Development Standard	Skills in career planning.
Career Development Indicator	Describe the costs and benefits of self-employment.
Delivery Level	Introductory
Academic Standards	
Language Arts	1.4.c compile and synthesize information to make reasonable and informed decisions. 4.1.b present information in a clear and logical form.
Math	1.1.b develop procedures for determining solutions for systems of algebraic statements. 4.3.b justify the process used for solving problems.
Employability/SCANS Skills	Basic Skills Thinking Skills Information
Assessment/Rubric	Students will be evaluated based upon class participation.

ADVANTAGES OF ENTREPRENEURSHIP

1. **You're in Charge.** Entrepreneurs decide when and how hard to work and how their businesses will operate.
2. **There is Great Job Satisfaction.**
3. **Entrepreneurship can lead to a good income.**
4. **Any others?**

DISADVANTAGES OF ENTREPRENEURSHIP

1. **There is financial risk. You can lose your investment and sometimes more.**
2. **Entrepreneurs often work long hours.**
3. **Competition can be stuff.**
4. **There are no guarantees of success. Almost two of every three new businesses fail within their first four years.**
5. **No fringe benefits.**

COST OF BEING AN EMPLOYER

- A. You are a business owner employing three people in addition to yourself. Each employee earns \$350 a week.

The business pays social security taxes of 7.65% on employer earning.

As the owner, you pay yourself \$500.00 a week and set aside 15.3% of that amount for social security taxes.

How much money is spent for employee salaries and taxes in a year?

How much money will you pay for your social security taxes?

- B. On your own, using a current year Federal withholding tax table, determine the amount of income tax to be withheld from each employee's paycheck.

ANSWER KEY

Employee Wages

$\$350 \times 3 \times 52$ weeks in a year =	54,600	Gross Wages
$\$54,600 \times .0765 =$	4177	Social Security
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	\$58,777	Total Employee salaries and taxes

Self Employment Costs

Business owner Social Security withholding
 500×52 weeks = 26,000 Gross Wages

$\$26,000 \times .153 = 3978$ Self Employment Self Security Tax